

**WESTERN DUBUQUE COUNTY
COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2014**

**OFFICIAL ISSUING REPORT
MARK FRASHER, BUSINESS MANAGER
BUSINESS OFFICE**

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

JUNE 30, 2014

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**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

JUNE 30, 2014

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O F F I C I A L S

Name -----	Title -----	Term Expires -----
Board of Education (Before September 2013 Election)		
Bob McCabe	President	2013
Jeanne Coppola	Vice President	2015
Mark Knuth	Board Member	2013
Gary McAndrew	Board Member	2015
Chad Vaske	Board Member	2015
(After September 2013 Election)		
Gary McAndrew	President	2015
Mark Knuth	Vice President	2017
Jeanne Coppola	Board Member	2015
Mark Tilson	Board Member	2017
Chad Vaske	Board Member	2015
School Officials		
Jeff Corkery	Superintendent	2014
David Wegmann	Board Secretary/Business Manager - (until March 2014)	2014
Mark Frasher	District Treasurer/ Business Manager - (effective April 2014)	2014 2014
Jeni Schindler	Board Secretary - (effective April 2014)	2014

O'CONNOR, BROOKS & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

W.H. LEGLAR, CPA
S.J. DOMEYER, CPA
M.A. KUEPERS, CPA
J.W. HANNAN, CPA
M.P. RUGGEBERG, CPA
P.C. McCARTHY, CPA
E.A. SCHILLING, CPA
S.H. ROBERTS, CPA
J.L. WOOLF, CPA

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
Western Dubuque County Community School District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Western Dubuque County Community School District as of and for the year ended June 30, 2014, and the related Notes to the Financial Statements, which collectively comprise the basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U. S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the Western Dubuque County Community School District as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, and the Schedule of Funding Progress for the Retiree Health Plan on pages 5 to 21 and 55 to 57 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Western Dubuque County Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2013 (which are not presented herein) and expressed unqualified/unmodified opinions on those financial statements with the exception of the seven years ended June 30, 2011. For the seven years ended June 30, 2011, we expressed an unqualified/unmodified opinion on the financial statements of the various opinion units of the primary government and we expressed an adverse opinion on the aggregate discretely presented component units due to the omission of the financial data for the District's legally separate component units. The supplementary information included in Schedules 1 through 7, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of State, Local Governments and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional

procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 20, 2015, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control over financial reporting and compliance.

O'CONNOR, BROOKS & CO., P.C.

D'Connor, Brooks & Co., P.C.

Dubuque, Iowa
January 20, 2015

REQUIRED SUPPLEMENTARY INFORMATION

MANAGEMENT'S DISCUSSION AND ANALYSIS

Western Dubuque County Community School District provides this Management's Discussion and Analysis as a part of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2014. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

This Management Discussion and Analysis contains the following main areas beginning on the pages shown.

<u>Area</u>	<u>Page #</u>
Financial Notes	6
Overview of the Financial Statements	6
Financial Analysis of the District as a Whole	10
Changes in Net Position	11
Financial Analysis of the District's Funds	14
Budgetary Highlights	17
Capital Asset and Debt Administration	18
Factors Bearing on the District's Future	19
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FINANCIAL NOTES

- The 2013-14 fiscal year was the 2nd year of the District's renewed five-year Instructional Support Program (ISP). The existing five-year program commencing July 1, 2012 and ending on June 30, 2017 was authorized and approved by the School Board on October 10, 2011.

Receipts:

Property Tax	\$ 407,128
Income Surtax	1,261,403
State Aid	---
	<u>\$ 1,668,531</u>

Expenses:

Teacher Wages	\$ 1,156,966
Computer Software - Public	40,268
Computer Equipment – Public	155,995
Computer Technician – Public	36,415
Computer Applications	---
Instructional Materials – Private Schools	210,989
Technology – Private Schools	11,561
Athletic Trainer	<u>59,461</u>
	<u>\$ 1,671,655</u>

- The General Fund June 30, 2014 unreserved fund balance increased from \$3,293,991 to \$4,662,289 resulting in an increased Financial Solvency Ratio of 14.59%.

2007-2008	0.07 %
2008-2009	5.36 %
2009-2010	4.92 %
2010-2011	7.78 %
2011-2012	9.09 %
2012-2013	11.00 %
2013-2014	14.59 %

The primary reason for the increase in the fund balance was due to the District's on-going effort to increase the fund balance via an increased cash reserve levy.

OVERVIEW OF THE FINANCIAL STATEMENTS

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of Western Dubuque Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide information about activities for which the District acts solely as a custodian for the benefit of those outside of the District.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Supplementary Information provides detailed information about the nonmajor governmental funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various programs benefiting the District.

Figure A-1 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of the management's discussion and analysis highlights the structure and contents of each of the statements.

<p align="center">Figure A-1 Major Features of the Government-Wide and Fund Financial Statements</p>				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and adult education	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenues, expenses and changes in net position • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net position • Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide statements report the District's net position and how it has changed. Net position – the difference between the District's assets and liabilities – is one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net position is an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

1. ***Governmental funds:*** Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional schedules explain the relationship or differences between the two statements.

The District's governmental funds include the General Fund, the Special Revenue Funds, the Debt Service Fund, and the Capital Projects Fund.

The required financial statements for governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

2. ***Proprietary funds:*** Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Fund, one type of proprietary fund, is the same as its business type activities, but provides more detail and additional information, such as cash flows. The District's Enterprise Fund is the School Nutrition Fund.

The required financial statements for proprietary funds include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position and a Statement of Cash Flows.

3. ***Fiduciary funds:*** The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust and Agency funds.

- Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position - Figures A-2 and A-3 below provide a summary of the District's revenues, expenses, and net position for the year ended June 30, 2014 compared to 2013 for the governmental and business-type activities.

Figure A-2
Condensed Statement of Net Position

	Governmental Activities		Business Type Activities		Total School District		Total Change
	2013	2014	2013	2014	2013	2014	
Current and other assets	46,683,353	38,129,868	230,215	363,270	46,913,568	38,493,138	-17.95%
Capital assets	45,017,534	58,308,224	187,540	167,620	45,205,074	58,475,844	29.36%
Total assets	91,700,887	96,438,092	417,755	530,890	92,118,642	96,968,982	5.27%
Deferred outflows of resources	135,233	129,835	-	-	135,233	129,835	-3.99%
Long-term liabilities	39,862,080	39,786,750	232,000	265,000	40,094,080	40,051,750	-0.11%
Other liabilities	3,399,501	4,835,871	9,043	7,091	3,408,544	4,842,962	42.08%
Total liabilities	43,261,581	44,622,621	241,043	272,091	43,502,624	44,894,712	3.20%
Deferred inflows of resources	14,730,774	15,388,032	-	-	14,730,774	15,388,032	4.46%
Net position:							
Net investment in capital assets	24,041,120	25,479,386	187,540	167,620	24,228,660	25,647,006	5.85%
Restricted	9,386,626	10,013,354	-	-	9,386,626	10,013,354	6.68%
Unrestricted (deficit)	416,019	1,064,534	(10,828)	91,179	405,191	1,155,713	-185.23%
Total net position	33,843,765	36,557,274	176,712	258,799	34,020,477	36,816,073	8.22%

Net position either is restricted as to the purposes they can be used for or are invested in capital assets (buildings, parking lots and so on.)

Figure A-3
Changes in Net Position from Operating Results

	Governmental Activities			Business Type Activities			Total School District		
	2012-13	2013-14	Change	2012-13	2013-14	Change	2012-13	2013-14	Change
Revenues:									
Program Revenues:									
Charges for service and sales	2,821,617	3,112,165	290,548	1,137,320	1,195,177	57,857	3,958,937	4,307,342	348,405
Operating grants and contributions	5,666,881	6,013,816	346,935	741,925	792,973	51,048	6,408,806	6,806,789	397,983
Capital grants and contributions	62,078	16,375	(45,703)	-	-	-	62,078	16,375	(45,703)
General Revenues:									
Property tax	13,477,654	14,345,368	867,714	-	-	-	13,477,654	14,345,368	867,714
Instructional support surtax	1,556,394	1,762,426	206,032	-	-	-	1,556,394	1,762,426	206,032
Statewide sales and services tax	3,333,739	2,544,288	(789,451)	-	-	-	3,333,739	2,544,288	(789,451)
Unrestricted state grants	11,473,475	12,291,892	818,417	-	-	-	11,473,475	12,291,892	818,417
Unrestricted investment earnings	73,844	72,923	(921)	425	121	(304)	74,269	73,044	(1,225)
Other	118,927	339,271	220,344	-	-	-	118,927	339,271	220,344
Total Revenues	38,584,609	40,498,524	1,913,915	1,879,670	1,988,271	108,601	40,464,279	42,486,795	2,022,516
Expenditures:									
Instruction	23,217,231	23,614,041	396,810	-	-	-	23,217,231	23,614,041	396,810
Support services	10,102,083	9,973,209	(128,874)	-	-	-	10,102,083	9,973,209	(128,874)
Non-instructional programs	47,249	41,201	(6,048)	2,107,655	1,906,184	(201,471)	2,154,904	1,947,385	(207,519)
Other expenses	3,258,539	4,156,564	898,025	-	-	-	3,258,539	4,156,564	898,025
Total Expenditures	36,625,102	37,785,015	1,159,913	2,107,655	1,906,184	(201,471)	38,732,757	39,691,199	958,442
Change in Net Position	1,959,507	2,713,509	754,002	(227,985)	82,087	310,072	1,731,522	2,795,596	1,064,074

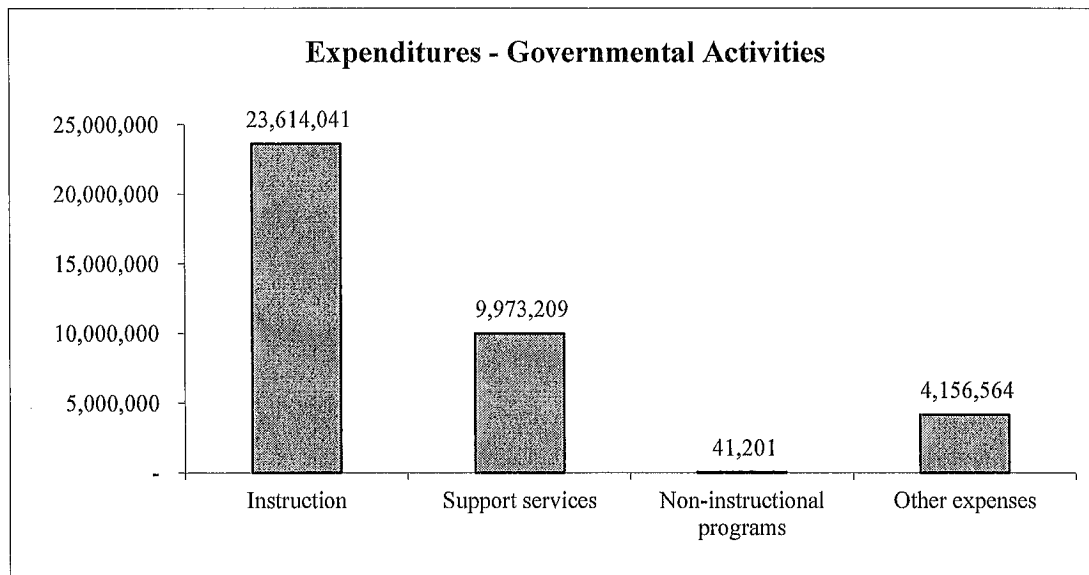
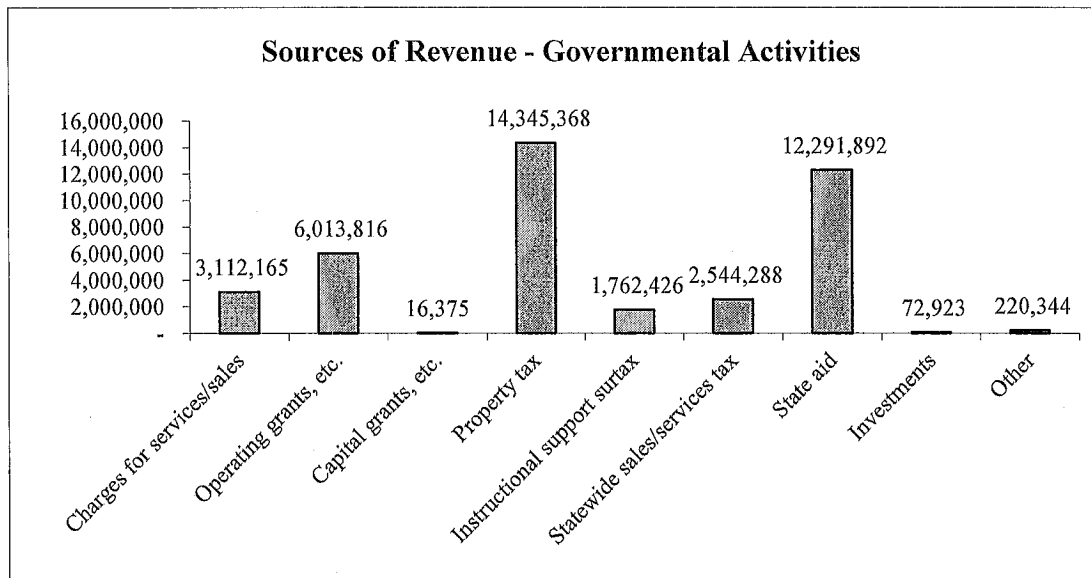
(COMMENTS ON NEXT PAGE)

Governmental Activities

Revenues for governmental activities were \$40,498,524 while total expenses amounted to \$37,785,015.

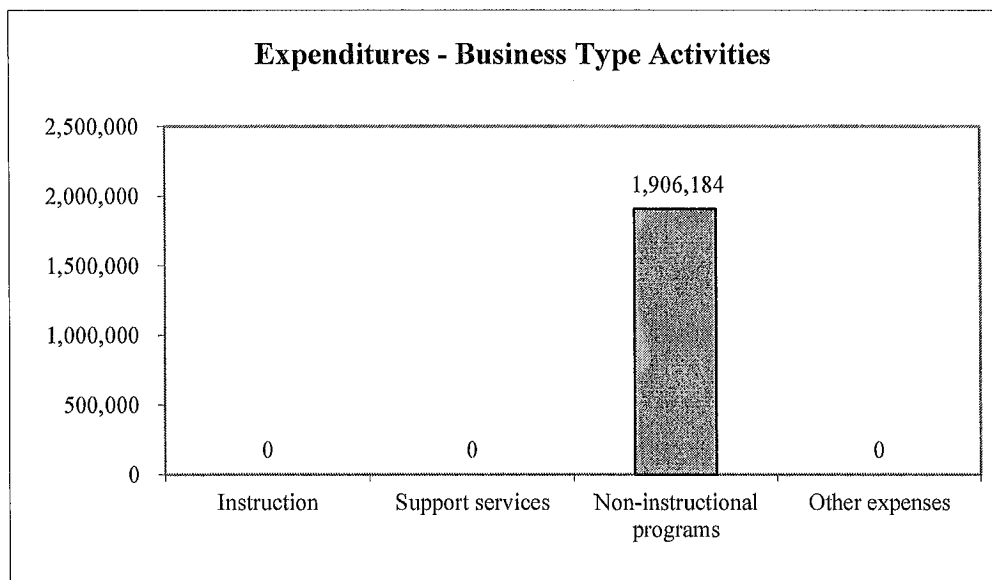
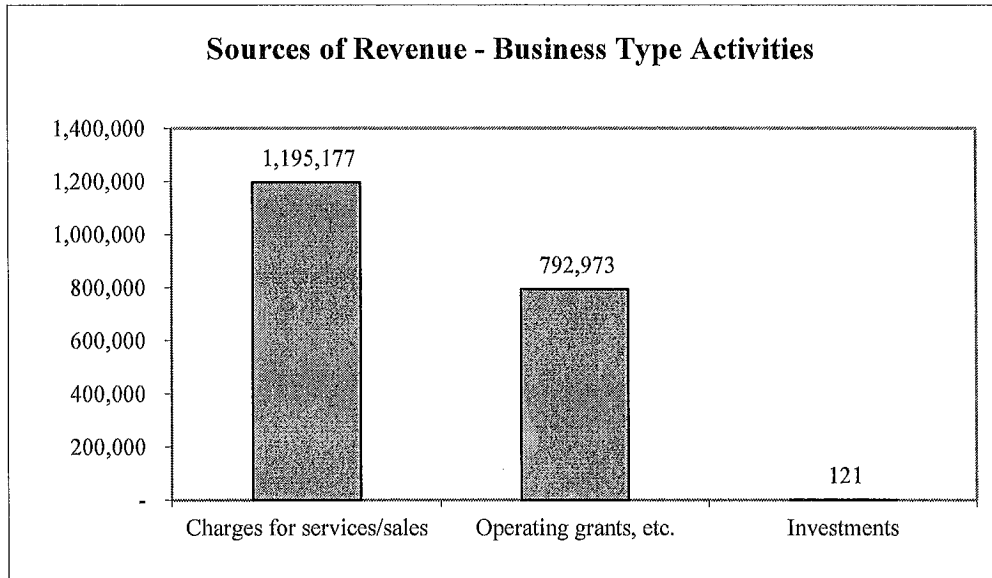
The District collects revenues from a number of sources other than state aid and property tax to fund its operations. Other significant sources include local grants, student fees, tuition, Activity Fund receipts, State grants, and Federal grants.

Bar Graph for Figure A-3 – Changes in Net Position from Operating Results



Business-Type Activities

Revenues of the District's business-type activities (School Nutrition Fund) were \$1,988,271 and expenses were \$1,906,184. Revenues of these activities were comprised of a la carte sales, charges for meals, tuition, interest, and federal and state reimbursements.



FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Western Dubuque Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Fund Highlights

- Following are ending fund balances including restricted and unrestricted reserves of the various governmental funds and a discussion concerning the change in balances.

<u>Fund Name</u>	<u>2013 Balance</u>	<u>2014 Balance</u>	<u>Change</u>
General	\$ 3,582,042	\$ 5,038,059	\$ 1,456,017
Activity	702,535	746,225	43,690
Management	1,742,075	1,609,323	(132,752)
Capital Projects	20,363,053	6,856,519	(13,506,534)
Debt Service	1,884,498	3,426,679	1,542,181
	<u>\$ 28,274,203</u>	<u>\$ 17,676,805</u>	<u>\$(10,597,398)</u>

- **General Fund:** The \$1,456,017 increase in fund balance over FY13 is due largely to the cash reserve levy in the amount of \$1,313,668. The District instituted the cash reserve levy after the 2006-2007 school year, when the fund balance was \$563,080. The District has improved its fund balance almost every year since implementing the levy, resulting in the current fund balance of \$5,038,059. If the fund balance continues to increase significantly, the District could potentially reach a point where it may no longer levy for Cash Reserve. (The maximum levy is 20% of annual expenditures less the ending fund balance)

The District has well exceeded the goal of the School Board to have an undesignated fund balance equal to 10% of its annual General Fund Expenditures. The improved cash position has also allowed the District to avoid the need to utilize short-term borrowing at its normal cash-lean times of the year to meet its payroll obligations. Due to the seasonal nature of property tax and State Aid deposits, borrowing in the short term to meet its obligations had been the norm in years past.

The overall improvement in the General Fund's fund balance has resulted in Standard & Poor's rating service changing the District's rating from A to A+ while affirming a stable outlook for the District. That action indicates that the District has been successful in its goal to increase its cash balance and resulting fund balance on year-end financials.

- **Budget Authority:** Year-end financials reported to the Department of Education reflect revenues and expenses using U.S. generally accepted accounting principles (GAAP). They do not reflect on nor report on the District's Maximum Budget Authority and Unspent Budget Authority as defined by Iowa School Finance Law. Following are definitions of significant terms relating to budget authority.

Maximum Spending Authority – also known as Maximum Authorized Budget (MAB) – the maximum amount authorized under the school funding formula that a district has available for a given budget year. It is a calculation and is the sum of maximum district cost, preschool foundation aid, instructional support authority, education improvement authority, miscellaneous income and prior year unspent spending authority.

Maximum District Cost – also a calculation that is the sum of regular program cost (enrollment multiplied by legislatively authorized cost per student), special education instructional costs, AEA costs and district supplementary weighting - all funded with a mix of state aid and property taxes. It does not include a district's cash reserve levy.

Miscellaneous Income – revenue which is not part of the combined district cost – for example, state grants, federal funds, student fees and tuition, and interest income. It does not include the cash reserve levy.

Unspent Spending Authority – also known as Unspent Authorized Budget (UAB) – the amount of the maximum spending authority left at the end of the year after deducting the general fund expenditures incurred during the year.

The following table shows the District's actual UAB for the past three years and a projection for 2014-15 based on budgeted revenues and expenses.

UNSPENT BUDGET AUTHORITY				
Year	2011-12	2012-13	2013-14	2014-15
Amount	\$5,869,509	\$4,980,559	\$5,188,344	\$4,954,787
Change		-\$888,950	+\$207,785	-\$233,557

The District's Unspent Authority/Budget Authority ratio for 2013-14 was 14%. The latest available data for the state average authority ratio for Iowa schools is an estimated 18.0% (2012-2013).

Unspent Balance	\$5,188,344
Divided by Budget Authority	<u>\$37,081,089</u>
Equals Balance/Authority Ratio	14.0%

The District will need to closely monitor and adjust future expenditures to sustain an acceptable Unspent Budget Authority. Stabilizing the Unspent Budget Authority at or above \$5,000,000 is a suitable goal for the District.

- **Activity Fund:** Nearly 200 separate fund accounts for the various activity organizations are accounted for in the Activity Fund. Each account group has its own revenue and expense chart of accounts. The fund balance for this fund is adequate.
- **Management Fund:** This fund is used to pay for early retirement benefits and property/liability insurance. The fund balance is needed to pay insurance obligations coming due in early 2014-15 prior to taxes coming in. It is also needed to provide needed reserves to offset retirement plan liabilities that have been shown on District financials beginning in fiscal 2011-12 per Governmental Accounting Standards Board (GASB) rules. Over time the District will need to consider increasing the fund balance in this fund to reflect future costs of its early retirement plan for eligible employees. Bi-annual actuarial reporting data on the District's early retirement plan is required by the Governmental Accounting Standards Board and should be used as a guide to ensure future funding of the plan.

- **Capital Projects Fund:** The Capital Projects Fund consists of three accounts, The Construction account, the Statewide Sales, Services and Use Tax account and the Physical Plant and Equipment Levy (PPEL) account.

<u>Accounts</u>	<u>2012-13 Fund Balance</u>	<u>2013-14 Fund Balance</u>
Construction	\$15,284,478	\$1,133,986
Statewide Sales, Services and Use Tax	\$ 4,073,123	\$4,507,796
PPEL	\$ 1,005,452	\$1,214,731

1. Construction Account: The sale of \$16.5 million in general obligation bonds was approved by voters in April 2012. The proceeds are being used to construct a new auditorium and administration offices at WDHS and a new gymnasium and administration offices at CHS. Both projects were in the final states as of June 30, 2014. Future projects will need to be funded from the District's Statewide Sales, Services and Use Tax and Physical Plant and Equipment Levy accounts.
2. Physical Plant and Equipment Levy Account – 2013-14 was the second year of the 10-year voter-approved \$1.00 PPEL Levy. Previously, the PPEL Levy was set at the Board-Approved rate of \$0.33.

Primary Uses for the account are as follows:

1. School buses
2. Other school vehicles
3. Buildings and Grounds projects
4. Equipment purchases
5. Large repair items
6. Technology purchases

Passage of the \$1.00 levy has allowed the District to pay for the purchase of school buses from the fund versus using the General Fund Instructional Support Program. Bus purchases in 2013-14 totaled \$334,060. In both the short term and long term this increase results in a significant improvement to the District's General Fund year-end fund balance.

3. Statewide Sales, Services and Use Tax Account – The \$4,507,796 balance in this account is available to the District for construction projects and other uses allowed by Iowa Code.

2013-2014 was the first fiscal year in which all five counties were participating in the State-Wide pool of Sales Tax Funds. Previously the individual counties kept the taxes they generated and distributed the dollars evenly to the schools in their respective county.

The prior method of distributing the funds greatly benefited the District, as Dubuque County generates a high volume of sales tax, and thus, the District received a higher dollar amount per pupil relative to counties with no major center for commerce. The 1-cent sales tax is now pooled state-wide and distributed to all Districts on an equal per

pupil basis, which drastically reduced the amount of money the District received in 2013-14. Receipts in 2013-2014 were \$2,544,288, which is \$789,450 less than the previous year.

Of the roughly \$2.5 million in annual sales tax revenue, \$1.5 million is committed annually to retire the two QBond issuances, with another \$600,000 transferred to the Debt Service Fund to keep the Debt Service Levy at a reduced rate as promised with the 2012 referendum. This has left little room for growing the fund balance or for taking on additional infrastructure projects in the near future. The Dyersville QBond will be retired completely after the 2019-2020 school year, which will free up \$1,080,978 annually thereafter.

The District will need to closely monitor expenditures in the Sales Tax Fund to maintain an adequate fund balance should sales tax receipts stagnate or decrease in future years.

- **Debt Service Fund:** \$3,295,792 of the total \$3,426,678 fund balance is comprised of the sinking fund balances for both the Dyersville and Drexler Middle School QBond issuances. The sinking fund balances will continue to grow by \$1,505,722 annually until final payment is due on each of the bonds in 2020 and 2026, respectively. The residual fund balance of \$130,886 will eventually be applied to retire outstanding GO Bonds.

Proprietary Fund Highlights

The School Nutrition Fund net position increased from \$176,712 on June 30, 2013 to \$258,799 on June 30, 2014. Revenues in the fund exceeded expenditures by \$82,087. The fund balance had decreased by over \$200,000 between FY12 and FY13, so the increase for FY14 was very much needed. New federal nutrition guidelines continue to drive food costs. However, a greater emphasis on keeping those costs down as much as possible was set in place in 2013-14 by the District. The School Nutrition Fund continues to operate without any subsidies from the District's General Fund, but the District will need to continue to closely monitor menu pricing, staffing levels and the cost of food items to ensure that the program remains self-sufficient.

BUDGETARY HIGHLIGHTS

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and a hearing for all funds, except its private-purpose trust funds. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis. Over the course of the year, the District was not required to amend its budget for 2013-14 as expenses in all function areas were trending at amounts less than the original adopted budget. A schedule showing the adopted and final budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report.

Function	Original	Amended	Actual
Instruction	\$ 24,008,674	\$ 24,008,674	\$ 23,149,841
Non-instructional	1,967,338	1,967,338	1,944,412
Other	17,898,810	17,898,810	17,647,869
Support Services	10,796,685	10,796,685	10,178,525

Amendments and over expenditures are funded from existing cash balances and do not result in any use or additional levy of state or local taxes.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The following table shows the District's capital assets, net of accumulated depreciation.

	Governmental Activities		Business Type Activities		Total School District		Total Change
	2013	2014	2013	2014	2013	2014	
Land	882,707	882,707	-	-	882,707	882,707	-
Construction in progress	1,094,675	15,216,517	-	-	1,094,675	15,216,517	14,121,842
Buildings	40,097,350	39,039,959	-	-	40,097,350	39,039,959	(1,057,391)
Improvements	462,970	452,049	-	-	462,970	452,049	(10,921)
Furnishings & Equipment	2,479,832	2,716,992	187,540	167,620	2,667,372	2,884,612	217,240
Total Capital Assets	45,017,534	58,308,224	187,540	167,620	45,205,074	58,475,844	13,270,770

The large increase in Construction in Progress is tied to the two major construction projects at the high schools. Building and improvements values decreased primarily due to depreciation expense on the value of the buildings and improvements.

Long-Term Debt

On June 30, 2014, the District had total long-term debt obligations of \$35,830,000. The following summary schedule shows totals in the different classes of the long-term debt obligations.

	6/30/2014	6/30/2013
General Obligation Bonds	19,330,000	20,070,000
Qualified School Construction Bonds	16,500,000	16,500,000
	<u>35,830,000</u>	<u>36,570,000</u>

Name	Amount	Retirement Date
GO Bonds, Series 2012	\$ 16,170,000	6/1/2032
GO Bonds, Series 2010	3,160,000	6/1/2021
QSC Bonds, Series 2009	8,500,000	6/1/2026
QSC Bonds, Series 2010A	8,000,000	6/1/2020
	<u>\$ 35,830,000</u>	

FACTORS BEARING ON THE DISTRICT'S FUTURE

Following are several factors that could have a significant effect on the District's General Fund financial condition.

- District Enrollment: The District's certified resident count decreased in fiscal 2013-14 by 27.67 students.

September 2013	2,949.7
September 2012	2,977.2
September 2011	2,919.0
September 2010	2,879.4
September 2009	2,799.4
September 2008	2,789.7
September 2007	2,775.8

The decrease is significant in that it has a direct impact on the District's general fund revenues. The District's enrollment multiplied by the state set cost-per-pupil is the primary revenue driver for the District's General Fund budget. Enrollment had been steadily increasing over the past 6 years leading up to the 2013 count, so such a significant decrease in enrollment will have a negative financial impact on the 2014-2015 budget.

The District had 171 open enrolled-in students and 67 open enrolled-out students in fiscal year 2014. Each open enrolled student generated \$6,001 in tuition revenue or expense. A significant change in the enrollment of these two groups would have a significant impact on revenues and expenses. Open enrolled-in totals have increased every year for each of the past 5 years. Open enrolled-out totals have decreased every year for each of the past five years. Both of those trends are very positive for the District.

- State Aid: The State had given a 2% allowable growth for 2013-14 along with a one-time cash payment equal to an additional 2%, thus having the combined impact of a 4% allowable growth to the District's cost-per-pupil figure. This 4% allowable growth was coupled with an increased budget enrollment from October 2012, which led to a very good year financially for the District and helped to get the annual revenues and expenses back in alignment.

The State has set a 4% allowable growth figure for 2014-2015. However, the one-time cash payment equal to 2% from 2013-14 will not continue, so school districts will effectively be working with a 2% allowable growth figure for 2014-15. 2% allowable growth is not sufficient from the District's perspective, as contracted increases of wages and benefits with the two major employee unions alone will not be held under 2%. This meager allowable growth allowance from the State, coupled with a decreased budget enrollment in October 2013, will have a negative impact on the financial performance of the District in fiscal year 2015. It will be critical for the State to return to providing a more suitable allowable growth figure in future years in order to keep the District's finances stable.

- Unspent Budget Authority: The District had used \$888,950 of its Unspent Authorized Budget in FY13, so rebounding financially in FY14 by actually increasing the UAB slightly was critically important. Maintaining a reasonable balance allows the District to absorb unexpected budget issues (revenues and expenses) without making immediate changes in programming costs. A healthy balance is necessary to ensure continuation and consistency of existing programs and future planning.
- Wages and benefits: By far the most significant expenditure category of the District's operation costs are the wages and benefits of its employees. Wage and benefit settlements, with any employee group, exceeding the rate of growth of state funding will have an adverse impact on the District's General Fund Budget.
- Instructional Support Program: On October 10, 2011 the Western Dubuque Schools Board of Education approved a new five-year Instructional Support Program. The program begins July 1, 2012 and ends June 30, 2017. \$1.6688 million in property taxes and income surtax was received in fiscal year 2014 from the program. The program provides an ongoing revenue source to fund teacher wages, technology, software expenses and textbook services to the private schools. Continuation of this program is critical.
- Transportation: Transportation expenses continue to be a significant cost of education. Western Dubuque Schools is the largest geographic school district in Iowa. The Iowa school funding formula does not provide for any additional funds for public school transportation costs, which disproportionately affects the District's budget more than other districts with more manageable transportation requirements. The District's reimbursement for transporting non-public students was \$89,665 less than expected due to the ongoing shortfall of state funding for the program. Less than full funding for the cost of the non-public program does have a significant impact on the District's allocation of resources for its educational programs.
- Operation of two high schools: The costs of operating two high school programs in a District the size of Western Dubuque is significant. Duplication of high school programming/activities leads to many inefficiencies. Based strictly on enrollment, the number of high school students in the District does not warrant operation of more than one high school. However, the District is not likely to make any major changes in this regard for many reasons.

Also hindering the District is the actual demographic makeup of its enrollment. With several successful parochial elementary systems located within the District, elementary enrollment is held artificially lower than that of the high school enrollment. The Iowa funding formula does not provide additional funding for high school students versus elementary students, so the District receives the same funding for relatively inexpensive elementary students compared to high school students, who require more expensive programming and activities. Ideally a district would have a higher ratio of elementary students to high school students than it currently has.

Budgeting and monitoring the cost and number of staff will be critical to the District's ability to sustain an acceptable fund balance and unspent budget authority.

- Financial Solvency Ratio: A measure of a school district's financial health in its General Fund can be determined from its Financial Solvency Ratio. The ratio is used by lending institutions to determine a district's ability to repay borrowings. Currently the Iowa Schools Cash Anticipation Program sponsored by the Iowa Association of School Boards uses the ratio when evaluating credit ratings of school districts. The ratio is determined as follows:

$$\frac{\text{Unreserved Fund Balance}}{\div \text{Total Receipts} - \text{AEA Support}}$$

Following is the Financial Solvency Ratio for the Western Dubuque District for the past five years.

2009-2010	4.92%
2010-2011	7.78%
2011-2012	9.09%
2012-2013	11.00%
2013-2014	14.59%

Grading:

> 5%	Good
0% to 5%	Acceptable
-3% to 0%	Concern
< -3%	Serious Concern

The major reason for the increase in the ratio was due to the District's levy for cash reserves beginning with the 2010-11 fiscal year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Mark Frasher, Business Manager, Western Dubuque County Community School District, 310 4th Street SW, Farley, Iowa 52046.

BASIC FINANCIAL STATEMENTS

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**STATEMENT OF NET POSITION
JUNE 30, 2014**

	Governmental Activities	Business Type Activities	Total
Assets	-----	-----	-----
Cash, cash equivalents and pooled investments	\$ 16,611,518	\$ 386,144	\$ 16,997,662
Receivables:			
Property tax:			
Delinquent	132,743	---	132,743
Succeeding year	15,388,032	---	15,388,032
Income surtax	1,066,816	---	1,066,816
Accounts	50,816	55	50,871
Due from other governments	1,440,467	---	1,440,467
Due from other funds	69,604	(69,604)	---
Prepaid expenses	74,080	59	74,139
Inventories	---	46,616	46,616
Capital assets, net of accumulated depreciation	58,308,224	167,620	58,475,844
Restricted assets:			
Cash held in escrow	3,295,792	---	3,295,792
	-----	-----	-----
Total Assets	\$ 96,438,092	\$ 530,890	\$ 96,968,982
	-----	-----	-----
Deferred Outflows of Resources			
Deferred amounts on refunding	\$ 129,835	\$ ---	\$ 129,835
	-----	-----	-----
Liabilities			
Accounts payable	\$ 2,376,135	\$ 1,394	\$ 2,377,529
Salaries and benefits payable	2,414,134	5,697	2,419,831
Accrued interest payable	45,602	---	45,602
Long-term liabilities:			
Portion due within one year:			
General obligation bonds	750,000	---	750,000
Portion due after one year:			
General obligation bonds	18,580,000	---	18,580,000
Qualified School Construction Bonds	13,204,208	---	13,204,208
Payable from restricted assets:			
Qualified School Construction Bonds	3,295,792	---	3,295,792
Other post employment benefits	4,051,000	265,000	4,316,000
Unamortized bond discount	(94,250)	---	(94,250)
	-----	-----	-----
Total Liabilities	\$ 44,622,621	\$ 272,091	\$ 44,894,712
	-----	-----	-----
Deferred Inflows of Resources			
Unavailable property tax revenue	\$ 15,388,032	\$ ---	\$ 15,388,032
	-----	-----	-----

See notes to financial statements.

EXHIBIT "A" (Continued)

WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA

STATEMENT OF NET POSITION
JUNE 30, 2014

	Governmental Activities	Business Type Activities	Total
	-----	-----	-----
Net Position			
Net investment in capital assets	\$ 25,479,386	\$ 167,620	\$ 25,647,006
Restricted for:			
Categorical funding	375,770	---	375,770
Management levy purposes	1,609,323	---	1,609,323
Physical plant and equipment	1,214,737	---	1,214,737
Student activities	746,225	---	746,225
School infrastructure	2,640,620	---	2,640,620
Debt service	3,426,679	---	3,426,679
Unrestricted	1,064,534	91,179	1,155,713
	-----	-----	-----
Total Net Position	\$ 36,557,274	\$ 258,799	\$ 36,816,073
	=====	=====	=====

See notes to financial statements.

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2014**

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business Type Activities	Total
Governmental Activities:							
Instruction:							
Regular	\$ 12,768,290	\$ 1,220,024	\$ 3,071,193	\$ ---	\$ (8,477,073)	\$ ---	\$ (8,477,073)
Special	4,583,165	288,083	1,038,774	---	(3,256,308)	---	(3,256,308)
Other	6,262,586	1,380,341	26,013	---	(4,856,232)	---	(4,856,232)
Total Instruction	\$ 23,614,041	\$ 2,888,448	\$ 4,135,980	\$ ---	\$ (16,589,613)	\$ ---	\$ (16,589,613)
Support Services:							
Student	\$ 825,765	\$ ---	\$ 16,880	\$ ---	\$ (808,885)	\$ ---	\$ (808,885)
Instructional staff	835,539	---	---	---	(835,539)	---	(835,539)
Administration	3,711,429	---	---	---	(3,711,429)	---	(3,711,429)
Operation and maintenance of plant	2,382,875	54,098	---	16,375	(2,312,402)	---	(2,312,402)
Transportation	2,217,601	169,619	461,067	---	(1,586,915)	---	(1,586,915)
Total Support Services	\$ 9,973,209	\$ 223,717	\$ 477,947	\$ 16,375	\$ (9,255,170)	\$ ---	\$ (9,255,170)
Non-instructional Programs	\$ 41,201	\$ ---	\$ ---	\$ ---	\$ (41,201)	\$ ---	\$ (41,201)

See notes to financial statements.

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2014**

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business Type Activities	Total
Functions/Programs (Continued)							
Governmental Activities: (Continued)							
Other Expenditures:							
Facilities acquisition	\$ 1,010,289	\$ ---	\$ ---	\$ ---	\$ (1,010,289)	\$ ---	\$ (1,010,289)
Long-term debt interest	618,014	---	---	---	(618,014)	---	(618,014)
AEA flowthrough	1,399,889	---	1,399,889	---	---	---	---
Depreciation (unallocated)*	1,128,372	---	---	---	(1,128,372)	---	(1,128,372)
Total Other Expenditures	\$ 4,156,564	\$ ---	\$ 1,399,889	\$ ---	\$ (2,756,675)	\$ ---	\$ (2,756,675)
Total Governmental Activities	\$ 37,785,015	\$ 3,112,165	\$ 6,013,816	\$ 16,375	\$ (28,642,659)	\$ ---	\$ (28,642,659)
Business Type Activities:							
Non-instructional programs:							
Food service operations	\$ 1,906,184	\$ 1,195,177	\$ 792,973	\$ ---	\$ ---	\$ 81,966	\$ 81,966
Total	\$ 39,691,199	\$ 4,307,342	\$ 6,806,789	\$ 16,375	\$ (28,642,659)	\$ 81,966	\$ (28,560,693)

* This amount excludes the depreciation included in the direct expenses of the various programs.

See notes to financial statements.

EXHIBIT "B" (Continued)

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2014**

	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
	Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business Type Activities
Expenses					Total
General Revenues:					
Property tax levied for:				\$ 12,417,359	\$ 12,417,359
General purposes				733,619	733,619
Debt service				1,194,390	1,194,390
Capital outlay				1,762,426	1,762,426
Instructional support surtax				2,544,288	2,544,288
Statewide sales, services, and use tax				12,291,892	12,291,892
Unrestricted state grants				72,923	73,044
Unrestricted investment earnings				339,271	339,271
Other					
Total General Revenues				\$ 31,356,168	\$ 31,356,289
Change in Net Position				\$ 2,713,509	\$ 2,795,596
Net Position Beginning of Year				33,843,765	34,020,477
Net Position End of Year				\$ 36,557,274	\$ 36,816,073

See notes to financial statements.

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014**

	General	Capital Projects	Debt Service	Nonmajor	Total
Assets					
Cash, cash equivalents and pooled investments	\$ 6,514,546	\$ 8,304,504	\$ 124,603	\$ 1,667,865	\$ 16,611,518
Receivables:					
Property tax:					
Delinquent	107,409	10,230	6,284	8,820	132,743
Succeeding year	12,196,898	1,243,753	925,539	1,021,842	15,388,032
Income surtax	1,066,816	---	---	---	1,066,816
Accounts	32,840	---	---	17,976	50,816
Due from other funds	73,843	6,539	---	---	80,382
Due from other governments	997,117	443,115	---	235	1,440,467
Prepaid expenses	152,626	---	---	713,508	866,134
Restricted assets - cash held in escrow	---	---	3,295,792	---	3,295,792
Total Assets	<u>\$ 21,142,095</u>	<u>\$ 10,008,141</u>	<u>\$ 4,352,218</u>	<u>\$ 3,430,246</u>	<u>\$ 38,932,700</u>
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities:					
Accounts payable	\$ 426,188	\$ 1,905,293	\$ ---	\$ 44,654	\$ 2,376,135
Salaries and benefits payable	2,414,134	---	---	---	2,414,134
Due to other funds	---	2,576	---	8,202	10,778
Total Liabilities	<u>\$ 2,840,322</u>	<u>\$ 1,907,869</u>	<u>\$ ---</u>	<u>\$ 52,856</u>	<u>\$ 4,801,047</u>
Deferred Inflows of Resources					
Unavailable revenues:					
Succeeding year property tax	\$ 12,196,898	\$ 1,243,753	\$ 925,539	\$ 1,021,842	\$ 15,388,032
Income surtax	1,066,816	---	---	---	1,066,816
Total Deferred Inflows of Resources	<u>\$ 13,263,714</u>	<u>\$ 1,243,753</u>	<u>\$ 925,539</u>	<u>\$ 1,021,842</u>	<u>\$ 16,454,848</u>
Fund Balances:					
Nonspendable:					
Prepaid expenditures	\$ 152,626	\$ ---	\$ ---	\$ 713,508	\$ 866,134
Restricted for:					
Categorical funding	375,770	---	---	---	375,770
Debt service	---	---	3,426,679	---	3,426,679
Management levy purposes	---	---	---	895,815	895,815
Student activities	---	---	---	746,225	746,225
School infrastructure	---	5,641,782	---	---	5,641,782
Physical plant and equipment	---	1,214,737	---	---	1,214,737
Unassigned	4,509,663	---	---	---	4,509,663
Total Fund Balances	<u>\$ 5,038,059</u>	<u>\$ 6,856,519</u>	<u>\$ 3,426,679</u>	<u>\$ 2,355,548</u>	<u>\$ 17,676,805</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 21,142,095</u>	<u>\$ 10,008,141</u>	<u>\$ 4,352,218</u>	<u>\$ 3,430,246</u>	<u>\$ 38,932,700</u>

See notes to financial statements.

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2014**

Total Fund Balances of Governmental Funds	\$ 17,676,805
--	---------------

*Amounts reported for governmental activities in the Statement of Net Position
are different because:*

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	58,308,224
--	------------

Other long-term assets are not available to pay current period expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds.	1,066,816
--	-----------

Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(45,602)
--	----------

Long-term liabilities, including bonds and notes payable and other post-employment benefits payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Other related amounts include unamortized bond discount and deferred amount on refunding bonds.	(40,448,969)
---	--------------

Net Position of Governmental Activities	<div style="border-top: 1px dashed black; border-bottom: 3px double black; display: inline-block; width: 100%;">\$ 36,557,274</div>
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**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2014**

	General	Capital Projects	Debt Service	Nonmajor	Total
	-----	-----	-----	-----	-----
Revenues					
Local sources:					
Local tax	\$ 13,109,002	\$ 1,194,390	\$ 733,619	\$ 970,991	\$ 16,008,002
Tuition	1,252,114	---	---	---	1,252,114
Other	726,932	97,420	36,333	1,416,038	2,276,723
Intermediate sources	---	---	---	---	---
State sources	17,160,490	2,544,351	39	56	19,704,936
Federal sources	1,074,829	16,375	---	---	1,091,204
	-----	-----	-----	-----	-----
Total Revenues	\$ 33,323,367	\$ 3,852,536	\$ 769,991	\$ 2,387,085	\$ 40,332,979
	-----	-----	-----	-----	-----
Expenditures					
Current:					
Instruction:					
Regular	\$ 12,006,136	\$ ---	\$ ---	\$ 495,038	\$ 12,501,174
Special	4,299,066	---	---	110,956	4,410,022
Other	4,885,596	---	---	1,353,049	6,238,645
	-----	-----	-----	-----	-----
Total Instruction	\$ 21,190,798	\$ ---	\$ ---	\$ 1,959,043	\$ 23,149,841
	-----	-----	-----	-----	-----
Support Services:					
Student	\$ 808,259	\$ ---	\$ ---	\$ 2,292	\$ 810,551
Instructional staff	810,791	---	---	14,289	825,080
Administration	3,482,408	361,618	---	46,901	3,890,927
Operation and maintenance of plant	2,241,497	35,973	---	241,048	2,518,518
Transportation	1,956,698	---	---	176,751	2,133,449
	-----	-----	-----	-----	-----
Total Support Services	\$ 9,299,653	\$ 397,591	\$ ---	\$ 481,281	\$ 10,178,525
	-----	-----	-----	-----	-----
Non-instructional Programs	\$ 2,405	\$ ---	\$ ---	\$ 35,823	\$ 38,228
	-----	-----	-----	-----	-----

See notes to financial statements.

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2014**

	General	Capital Projects	Debt Service	Nonmajor	Total
	-----	-----	-----	-----	-----
Expenditures (Continued)					
Other Expenditures:					
Facilities acquisition	\$ ---	\$ 14,914,448	\$ ---	\$ ---	\$ 14,914,448
Long-term debt:					
Principal	---	---	740,000	---	740,000
Interest and fiscal charges	---	---	593,532	---	593,532
AEA flowthrough	1,399,889	---	---	---	1,399,889
	-----	-----	-----	-----	-----
Total Other Expenditures	\$ 1,399,889	\$ 14,914,448	\$ 1,333,532	\$ ---	\$ 17,647,869
	-----	-----	-----	-----	-----
Total Expenditures	\$ 31,892,745	\$ 15,312,039	\$ 1,333,532	\$ 2,476,147	\$ 51,014,463
	-----	-----	-----	-----	-----
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ 1,430,622	\$(11,459,503)	\$ (563,541)	\$ (89,062)	\$(10,681,484)
	-----	-----	-----	-----	-----
Other Financing Sources (Uses)					
Compensation for loss of fixed assets	\$ 15,112	\$ 58,691	\$ ---	\$ ---	\$ 73,803
Sale of equipment and materials	10,283	---	---	---	10,283
Operating transfers in	---	---	2,105,722	---	2,105,722
Operating transfers out	---	(2,105,722)	---	---	(2,105,722)
	-----	-----	-----	-----	-----
Total Other Financing Sources (Uses)	\$ 25,395	\$ (2,047,031)	\$ 2,105,722	\$ ---	\$ 84,086
	-----	-----	-----	-----	-----
Change in Fund Balances	\$ 1,456,017	\$(13,506,534)	\$ 1,542,181	\$ (89,062)	\$(10,597,398)
	-----	-----	-----	-----	-----
Fund Balances Beginning of Year	3,582,042	20,363,053	1,884,498	2,444,610	28,274,203
	-----	-----	-----	-----	-----
Fund Balances End of Year	\$ 5,038,059	\$ 6,856,519	\$ 3,426,679	\$ 2,355,548	\$ 17,676,805
	=====	=====	=====	=====	=====

See notes to financial statements.

EXHIBIT "F"**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA****RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2014**

Change in Fund Balances - Total Governmental Funds \$ (10,597,398)

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays of \$14,991,113 exceeded depreciation of \$1,682,090 in the current period. 13,309,023

In the Statement of Activities, the loss on the sale or disposition of assets is reported, whereas in the governmental funds, the proceeds from the sale or disposition increase financial resources. The change in net position differs from the change in fund balance by the cost of the assets sold or disposed of (\$800,046), net of related accumulated depreciation of \$781,713. (18,333)

Income surtaxes and other revenues not collected for several months after year end are not considered available revenue and are recognized as deferred inflows of resources in the governmental funds. 99,792

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. 740,000

Governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. (283,939)

Interest on long term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the governmental funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 1,353

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. This includes the net increase in other postemployment benefits. (536,989)

Change in Net Position of Governmental Activities \$ 2,713,509

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2014**

	School Nutrition

Assets	
Cash, cash equivalents and pooled investments	\$ 386,144
Accounts receivable	55
Prepaid expenses	59
Inventories	46,616
Capital assets, net of accumulated depreciation	167,620

Total Assets	\$ 600,494

Liabilities	
Accounts payable	\$ 1,394
Salaries and benefits payable	5,697
Due to other funds	69,604
Other postemployment benefits	265,000

Total Liabilities	\$ 341,695

Net Position	
Investment in capital assets	\$ 167,620
Unrestricted	91,179

Total Net Position	\$ 258,799
	=====

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2014**

	School Nutrition

Operating Revenues	
Local sources:	
Charges for services	\$ 1,195,177

Operating Expenses	
Non-instructional programs:	
Food service operations:	
Salaries	\$ 637,430
Benefits	190,939
Purchased services	29,741
Supplies	1,017,589
Depreciation	30,485

Total Noninstructional Programs	\$ 1,906,184

Operating Loss	\$ (711,007)

Non-Operating Revenues	
State sources	\$ 14,817
Federal sources	778,156
Interest income	121

Total Non-Operating Revenues	\$ 793,094

Change in Net Position	\$ 82,087

Net Position Beginning of Year	176,712

Net Position End of Year	\$ 258,799
	=====

See notes to financial statements.

EXHIBIT "I"

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2014**

	School Nutrition -----
Cash Flows From Operating Activities	
Cash received from sale of lunches and breakfasts	\$ 1,195,122
Cash paid to employees for services	(803,990)
Cash paid to suppliers for goods or services	(867,075)

Net Cash Used by Operating Activities	\$ (475,943)

Cash Flows From Non-Capital Financing Activities	
State grants received	\$ 14,817
Federal grants received	600,550

Net Cash Provided by Non-Capital Financing Activities	\$ 615,367

Cash Flows From Capital and Related Financing Activities	
Acquisition of capital assets	\$ (10,565)

Cash Flows From Investing Activities	
Interest on investments	\$ 121

Net Increase in Cash and Cash Equivalents	\$ 128,980

Cash and Cash Equivalents at Beginning of Year	257,164

Cash and Cash Equivalents at End of Year	\$ 386,144
	=====
Reconciliation of Operating Loss to Net Cash Used by Operating Activities	
Operating loss	\$ (711,007)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	177,606
Depreciation	30,485
Decrease in inventories	1,484
(Increase) in accounts receivable	(55)
(Increase) in prepaid expenses	(42)
Increase in accounts payable	1,207
(Decrease) in salaries and benefits payable	(3,159)
(Decrease) in due to other funds	(5,461)
Increase in other postemployment benefits	33,000

Net Cash Used by Operating Activities	\$ (475,942)
	=====

Non-Cash Investing, Capital and Related Financing Activities

During the year ended June 30, 2014, the District received \$177,606 of federal commodities.

See notes to financial statements.

EXHIBIT "J"

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2014**

	Private Purpose Trust

	Scholarship

Assets	
Cash and pooled investments	\$ 23,600

Liabilities	
None	\$ ---

Net Position	
Reserved for scholarships	\$ 23,600
	=====

See notes to financial statements.

EXHIBIT "K"

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2014**

	Private Purpose Trust
	Scholarship
Additions	
Local Sources:	
Gifts and contributions	\$ 4,850
Interest	7
Total Additions	\$ 4,857
Deductions	
Instruction:	
Regular:	
Scholarships awarded	2,000
Change in Net Position	\$ 2,857
Net Position Beginning of Year	20,743
Net Position End of Year	\$ 23,600

See notes to financial statements.

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

Note 1 - Summary of Significant Accounting Policies:

The Western Dubuque County Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the predominately agricultural territory in Northeast Iowa including portions of the following counties; Dubuque, Delaware, Jackson, Clayton and Jones. The District is governed by a Board of Education whose members are elected on a nonpartisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, the District has included all funds, organizations, agencies, boards, commissions, and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. The Western Dubuque County Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in jointly governed organizations that provide services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of Dubuque County Assessor's Conference Board, the Jones County Assessor's Conference Board, and the Dubuque County Empowerment Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Position and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

Note 1 - Summary of Significant Accounting Policies: (Continued)

B. Basis of Presentation (Continued)

The Statement of Net Position presents the District's nonfiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources with the difference reported as net position. Net position is reported in the following categories:

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt attributable to the acquisition, construction, or improvement of those assets.

Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds. Combining schedules are also included for the Capital Project Fund accounts.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

The Debt Service Fund is utilized to account for property tax and other revenues to be used for the payment of interest and principal on the District's general long term debt.

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

Note 1 - Summary of Significant Accounting Policies: (Continued)

B. Basis of Presentation (Continued)

The District reports the following major proprietary fund:

The Enterprise, School Nutrition Fund is used to account for the food service operations of the District.

The District also reports fiduciary funds which focus on net position and changes in net position. The District's fiduciary funds include the following:

The Private-Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

Note 1 - Summary of Significant Accounting Policies: (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Cash Equivalents and Pooled Investments - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the Statements of Cash Flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and at the day of purchase, have a maturity date no longer than three months.

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

Note 1 - Summary of Significant Accounting Policies: (Continued)

D. Assets, Liabilities and Fund Equity (Continued)

Property Tax Receivable - Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2012 assessed property valuations; is for the tax accrual period July 1, 2013 through June 30, 2014, and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2013.

Due From Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, and grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture, and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

Note 1 - Summary of Significant Accounting Policies: (Continued)

D. Assets, Liabilities and Fund Equity (Continued)

Asset Class	Amount
-----	-----
Land	All
Buildings	\$ 5,000
Improvements other than buildings	5,000
Intangibles	100,000
Furniture and Equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	5,000

Capital assets are depreciated using the straight line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
-----	-----
Buildings	50
Improvements other than buildings	20-50
Intangibles	5-10
Furniture and equipment	5-20

Deferred Outflows of Resources - In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide Statement of Net Position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

Salaries and Benefits Payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Compensated Absences - District employees accumulate sick leave and vacation for subsequent use. These accumulations are not recognized as expenditures by the District until used. The District's policy prohibits payoff of accumulated benefits at termination of employment. Consequently, no liability at June 30, 2014 has been accrued.

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

Note 1 - Summary of Significant Accounting Policies: (Continued)

D. Assets, Liabilities and Fund Equity (Continued)

Long-Term Liabilities and Bond Discounts/Premiums - In the government-wide and proprietary financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond discounts or premiums are capitalized and amortized over the terms of the respective bonds using a method that approximates the effective interest method.

Deferred Inflows of Resources - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred inflows of resources in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred inflows of resources consist of property tax receivable and other receivables not collected within sixty days after year end.

Deferred inflows of resources in the Statement of Net Position consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Fund Equity - In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Committed – Amounts which can be used only for specific purposes determined pursuant to constraints formally imposed by the Board of Education through resolution approved prior to year end. Those committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same action it employed to commit those amounts.

Unassigned – All amounts not included in preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2014, expenditures did not exceed the amount budgeted. The District did not exceed its General Fund unspent authorized budget.

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

Note 1 - Summary of Significant Accounting Policies: (Continued)

F. Estimates

The preparation of financial statements in conformity with United States of America generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Note 2 - Cash, Cash Equivalents and Pooled Investments:

The District's deposits in banks at June 30, 2014, were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2014, the District had investments in the Iowa Schools Joint Investment Trust Diversified Portfolio which are valued at an amortized cost of \$50,887 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Schools Joint Investment Trust was rated AAAm by Standard & Poor's Financial Services.

Note 3 - Due From and Due To Other Funds:

The detail of interfund receivables and payables at June 30, 2014 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Special Revenue - Student Activity	\$ 4,239
	Enterprise - Nutrition	69,604

		\$ 73,843
		=====
Student Activity	Capital Projects	\$ 2,576
		=====
Capital Projects	Special Revenue - Management Levy	\$ 6,539
		=====

The Student Activity Fund is repaying the General Fund for transportation costs. The Nutrition Fund is repaying the General Fund for nutrition program wages paid from the General Fund. The Capital Projects Fund is repaying the Student Activity Fund for equipment purchased from the incorrect fund. The Management Levy Fund is repaying the Capital Projects Fund for insurance paid from the incorrect fund. These balances will be repaid within fiscal year 2015.

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

Note 4 - Interfund Transfers:

The detail of interfund transfers for the year ended June 30, 2014 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects	\$ 2,105,722 =====

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

Note 5 - Categorical Funding:

The District's reserved fund balance for categorical funding at June 30, 2014 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
Home school assistance program	\$ 37,223
Gifted and talented program	38,897
Educator quality professional development	125,907
Teacher salary supplement	39,536
Professional development for model core curriculum	107,971
Other	26,236

	\$ 375,770 =====

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

Note 6 - Capital Assets:

Capital assets activity for the year ended June 30, 2014 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	-----	-----	-----	-----
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 882,707	\$ ---	\$ ---	\$ 882,707
Construction in progress	1,094,675	14,121,842	---	15,216,517
	-----	-----	-----	-----
Total capital assets not being depreciated	\$ 1,977,382	\$ 14,121,842	\$ ---	\$ 16,099,224
	-----	-----	-----	-----
Capital assets being depreciated:				
Buildings	\$ 52,863,291	\$ ---	\$ 15,440	\$ 52,847,851
Improvements other than buildings	1,624,783	40,421	---	1,665,204
Furniture and equipment	7,996,081	828,850	784,606	8,040,325
	-----	-----	-----	-----
Total capital assets being depreciated	\$ 62,484,155	\$ 869,271	\$ 800,046	\$ 62,553,380
	-----	-----	-----	-----
Less accumulated depreciation for:				
Buildings	\$ 12,765,941	\$ 1,056,465	\$ 14,514	\$ 13,807,892
Improvements other than buildings	1,161,813	51,342	---	1,213,155
Furniture and equipment	5,516,249	574,283	767,199	5,323,333
	-----	-----	-----	-----
Total accumulated depreciation	\$ 19,444,003	\$ 1,682,090	\$ 781,713	\$ 20,344,380
	-----	-----	-----	-----
Total capital assets being depreciated, net	\$ 43,040,152	\$ (812,819)	\$ 18,333	\$ 42,209,000
	-----	-----	-----	-----
Total governmental activities capital assets, net	\$ 45,017,534	\$ 13,309,023	\$ 18,333	\$ 58,308,224
	=====	=====	=====	=====
Business type activities:				
Furniture and equipment	\$ 456,708	\$ 10,565	\$ ---	\$ 467,273
Less accumulated depreciation	269,168	30,485	---	299,653
	-----	-----	-----	-----
Business type activities capital assets, net	\$ 187,540	\$ (19,920)	\$ ---	\$ 167,620
	=====	=====	=====	=====

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

Note 6 - Capital Assets: (Continued)

Depreciation expense was charged to the following functions:

Governmental activities:

Instruction:

Regular	\$ 78,139
Other	21,769

Support Services:

Administration	5,812
Operation and maintenance of plant	18,519
Transportation	421,436

Non-instructional

Unallocated	8,043
-------------	-------

	1,128,372

Total governmental activities depreciation expense	\$ 1,682,090
	=====

Business type activities:

Food service operations	\$ 30,485
	=====

Note 7 - Long-Term Liabilities:

Changes in long-term liabilities for the year ended June 30, 2014 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	-----	-----	-----	-----	-----
Governmental Activities:					
General obligation bonds	\$ 20,070,000	\$ ---	\$ 740,000	\$ 19,330,000	\$ 750,000
Qualified school construction bond	16,500,000	---	---	16,500,000	---
Other postemployment benefits	3,542,000	1,301,000	792,000	4,051,000	---
	-----	-----	-----	-----	-----
Total	\$ 40,112,000	\$ 1,301,000	\$ 1,532,000	\$ 39,881,000	\$ 750,000
	=====	=====	=====	=====	=====
Business Type Activities:					
Other postemployment benefits	\$ 232,000	\$ 33,000	\$ ---	\$ 265,000	\$ ---
	=====	=====	=====	=====	=====

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

Note 7 - Long-Term Liabilities: (Continued)

General Obligation Bonds

Details of the District's June 30, 2014, general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue March 23, 2010			Bond Issue October 30, 2012			Total	
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest
2015	2.10	415,000	88,508	3.000	335,000	487,025	750,000	575,533
2016	2.40	430,000	79,793	3.000	340,000	476,975	770,000	556,768
2017	2.65	435,000	69,473	3.000	350,000	466,775	785,000	536,248
2018	2.80	445,000	57,945	3.000	370,000	456,275	815,000	514,220
2019	3.00	465,000	45,485	3.000	405,000	445,175	870,000	490,660
2020-2024	3.20-3.30	970,000	47,870	3.000	3,950,000	1,985,425	4,920,000	2,033,295
2025-2029	---	---	---	3.000	5,955,000	1,229,275	5,955,000	1,229,275
2030-2032	---	---	---	3.00-3.125	4,465,000	276,675	4,465,000	276,675
		<u>3,160,000</u>	<u>389,074</u>		<u>16,170,000</u>	<u>5,823,600</u>	<u>19,330,000</u>	<u>6,212,674</u>

Series 2012 bonds due June 1, 2021 – 2032, inclusive, are callable in whole or in part on any date after June 1, 2021 at a price of par and accrued interest. If less than all the bonds are called, they shall be redeemed in any order of maturity as determined by the District within any maturity by lot.

On March 23, 2010, the District issued \$4,250,000 in general obligation bonds with an average interest rate of 2.70% to advance refund \$4,000,000 of outstanding 2001 Series bonds with an average interest rate of 4.60%. The bonds due June 1, 2019 - 2021, inclusive, are callable in whole or in part on any date after June 1, 2018 at a price of par and accrued interest. If less than all the Bonds are called, they shall be redeemed in any order of maturity as determined by the District within any maturity by lot.

Qualified School Construction Bonds

On December 15, 2009, the District issued \$8,500,000 of qualified school construction bonds for the purpose of building and equipping an addition to the Drexler Middle School. The bonds are interest free and the entire balance is due on June 1, 2026. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenue received by the District and are not a general obligation of the District. The bonds may be called for redemption on any date, in whole or from time to time in part at a price of par. Beginning June 1, 2010, the District is required to place seventeen annual payments into an escrow account, which has a 2.00% interest rate. The balance accumulated in the escrow account will be used to repay the bonds when they mature.

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

Note 7 - Long-Term Liabilities: (Continued)

Qualified School Construction Bonds (Continued)

On April 28, 2010, the District issued \$8,000,000 of qualified school construction bonds for the purpose of constructing, furnishing, and equipping a new elementary school in Dyersville, Iowa. The bonds are interest free and the entire balance is due on June 1, 2020.

The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenue received by the District and are not a general obligation of the District. The bonds may be called for redemption on any date, in whole or from time to time in part at a price of par. Beginning June 1, 2014, the District is required to place seven annual payments into an escrow account, which has a 1.85% interest rate. The balance accumulated in the escrow account will be used to repay the bonds when they mature.

The District did comply with all of the provisions during the year ended June 30, 2014. The Sinking Fund and Reserve Fund requirements are accounted for in the Debt Service Fund.

Note 8 - Lease Agreement:

On October 20, 2001, the District entered an agreement to lease a building for five years. This lease was renewed on February 15, 2006 for an additional five years with annual rent payments of \$37,440. This lease has not been formally renewed; however, the District continues to lease the building on a month to month basis. Monthly rental payments are \$3,120.

Note 9 - 28E Agreements:

On July 20, 2005, the District entered into a 28E Agreement with the City of Farley, Iowa. The agreement is for the purpose of constructing a high school regulation softball field. Along with the 28E Agreement, the District has entered into a lease agreement with the City of Farley for the use of the softball field. The term of the lease is 40 years with annual rent of \$1.

On April 14, 2011, the District entered into a 28E Agreement with the City of Cascade, Iowa. The purpose of the agreement is to allow the City to use land owned by the District to develop and maintain a soccer field for community and District use.

On December 29, 2011, the District entered into a 28E Agreement with the City of Farley, Iowa and the Dubuque County Library Board. The purpose of the agreement is to allow the operation of a joint library facility.

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

Note 10 - Pension and Retirement Benefits:

The District contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 5.95% of their annual covered salary and the District is required to contribute 8.93% of annual covered salary. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2014, 2013, and 2012, were \$1,693,311, \$1,635,819 and \$1,432,770, respectively, equal to the required contributions for each year.

Note 11 - Other Postemployment Benefits (OPEB):

Plan Description - The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 510 active and 60 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through a fully-insured plan with Medical Associates. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

The District also contributes to an employer-provided health reimbursement arrangement for contracted employees when they retire. To qualify, the retiring employee must be at least age 55 and have 10 or more years of service with the District. For contracted employees eligible for health insurance, the District will contribute an amount equal to its annual contribution to the cost of family medical insurance at the time of retirement for the employee's work classification for a period of five years. For employees not eligible for medical insurance, the District will contribute a one-time amount equal to 25% of the employee's regular wages earned during the last year of employment with the District.

Funding Policy - The contribution requirements of plan members are established and may be amended by the District. Retirees pay the full cost of premiums for the medical/prescription drug benefit. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

Note 11 - Other Postemployment Benefits (OPEB): (Continued)

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2014, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 1,308,000
Interest on net OPEB obligation	170,000
Adjustment to annual required contribution	(144,000)

Annual OPEB cost	\$ 1,334,000
Contributions made	(792,000)

Increase in net OPEB obligation	\$ 542,000
Net OPEB obligation beginning of year	3,774,000

Net OPEB obligation end of year	\$ 4,316,000
	=====

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2014.

For the year ended June 30, 2014, the District contributed \$0 to the medical plan premiums and \$792,000 to the health reimbursement arrangement. Plan members eligible for benefits contributed \$469,927, or 100% of the premium costs.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2014 are summarized as follows:

Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
-----	-----	-----	-----
2012	\$ 1,429,000	35.06%	\$ 3,218,000
2013	1,330,000	58.20%	3,774,000
2014	1,334,000	59.37%	4,316,000

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

Note 11 - Other Postemployment Benefits (OPEB): (Continued)

Funded Status and Funding Process - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2013 through June 30, 2014, the actuarial accrued liability was \$11.114 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$11.114 million. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$19,243,000, and the ratio of the UAAL to covered payroll was 57.76%. As of June 30, 2014, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2012 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 4.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 10%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2012 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2012.

The salary increase rate was assumed to be 3.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

Note 12 - Risk Management:

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 13 - Area Education Agency:

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$1,399,889 for the year ended June 30, 2014, and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 14 - Construction in Progress:

The District has entered into contracts totaling \$15,915,496 for improvements to Cascade High School and Western Dubuque High School. As of June 30, 2014, costs of \$15,007,226 had been incurred against the contracts. The remaining amount will be paid as work on the project progresses.

Note 15 - Commitments and Contingencies:

The District was named in litigation filed by an individual claiming employment discrimination during fiscal year 2014. The District intends to defend itself vigorously in this matter. The District is unable to estimate a range of possible loss, if any.

Note 16 - Subsequent Events:

The District approved a contract in the amount of \$400,945 for the purchase of five school buses.

The District approved a contract for architectural services for a new vocational arts building at Western Dubuque High School. The amount to be paid under the contract is dependent on the construction costs of the building.

The District's management has evaluated subsequent events and transactions for potential financial statement recognition and disclosure through January 20, 2015, the date the financial statements were available to be issued.

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

Note 17 - Prospective Accounting Change:

The Governmental Accounting Standards Board has issued Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, the Statement of Net Position is expected to include a significant liability for the government's proportionate share of the employee pension plan.

REQUIRED SUPPLEMENTARY INFORMATION

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES AND
CHANGES IN BALANCES - BUDGET AND ACTUAL -
ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUND
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2014**

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
Revenues						
Local sources	\$ 19,536,839	\$ 1,195,298	\$ 20,732,137	\$ 23,095,744	\$ 23,095,744	\$ (2,363,607)
Intermediate sources	---	---	---	500	500	(500)
State sources	19,704,936	14,817	19,719,753	16,489,301	16,489,301	3,230,452
Federal sources	1,091,204	778,156	1,869,360	1,700,793	1,700,793	168,567
Total Revenues	\$ 40,332,979	\$ 1,988,271	\$ 42,321,250	\$ 41,286,338	\$ 41,286,338	\$ 1,034,912
Expenditures/Expenses						
Instruction	\$ 23,149,841	\$ ---	\$ 23,149,841	\$ 24,008,674	\$ 24,008,674	\$ 858,833
Support services	10,178,525	---	10,178,525	10,796,685	10,796,685	618,160
Non-instructional programs	38,228	1,906,184	1,944,412	1,967,338	1,967,338	22,926
Other expenditures	17,647,869	---	17,647,869	17,898,810	17,898,810	250,941
Total Expenditures/Expenses	\$ 51,014,463	\$ 1,906,184	\$ 52,920,647	\$ 54,671,507	\$ 54,671,507	\$ 1,750,860
Excess (Deficiency) of Revenues Over (Under) Expenditures/Expenses	\$ (10,681,484)	\$ 82,087	\$ (10,599,397)	\$ (13,385,169)	\$ (13,385,169)	\$ 2,785,772
Other Financing Sources, Net	84,086	---	84,086	2,310	2,310	81,776
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures/Expenses and Other Financing Uses	\$ (10,597,398)	\$ 82,087	\$ (10,515,311)	\$ (13,382,859)	\$ (13,382,859)	\$ 2,867,548
Balances Beginning of Year	28,274,203	176,712	28,450,915	26,571,286	26,571,286	1,879,629
Balances End of Year	\$ 17,676,805	\$ 258,799	\$ 17,935,604	\$ 13,188,427	\$ 13,188,427	\$ 4,747,177

See accompanying independent auditor's report.

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
- BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2014**

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private Purpose Trust and Agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2014, expenditures did not exceed the amount budgeted and the District did not exceed its General Fund unspent authorized budget.

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**SCHEDULE OF FUNDING PROGRESS FOR THE
RETIREE HEALTH PLAN
(IN THOUSANDS)**

REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2008	\$ ---	\$ 9,009	\$ 9,009	0.0%	\$ 17,047	52.90%
2011	July 1, 2010	---	12,552	12,552	0.0%	17,547	71.50%
2012	July 1, 2010	---	12,552	12,552	0.0%	17,884	70.20%
2013	July 1, 2012	---	11,114	11,114	0.0%	19,055	58.33%
2014	July 1, 2012	---	11,114	11,114	0.0%	19,243	57.76%

See Note 11 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and net OPEB Obligation, funded status and funding progress.

SUPPLEMENTARY INFORMATION

**WESTERN DUBUQUE COUNT COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2014**

	Special Revenue		
	Management Levy	Student Activity	Total
Assets			
Cash, cash equivalents, and pooled investments	\$ 893,534	\$ 774,331	\$ 1,667,865
Receivables:			
Property tax:			
Delinquent	8,820	---	8,820
Succeeding year	1,021,842	---	1,021,842
Accounts	---	17,976	17,976
Due from other governments	---	235	235
Prepaid expenses	713,508	---	713,508
Total Assets	\$2,637,704	\$ 792,542	\$ 3,430,246
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ ---	\$ 44,654	\$ 44,654
Due to other funds	6,539	1,663	8,202
Total Liabilities	\$ 6,539	\$ 46,317	\$ 52,856
Deferred Inflows of Resources:			
Unavailable revenues:			
Succeeding year property tax	\$1,021,842	\$ ---	\$ 1,021,842
Fund Balances:			
Nonspendable:			
Prepaid expenditures	\$ 713,508	\$ ---	\$ 713,508
Restricted for:			
Management levy purposes	895,815	---	895,815
Student activities	---	746,225	746,225
Total Fund Balances	\$1,609,323	\$ 746,225	\$ 2,355,548
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$2,637,704	\$ 792,542	\$ 3,430,246

See accompanying independent auditor's report.

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2014**

	Special Revenue		
	Management Levy	Student Activity	Total
Revenues			
Local Sources:			
Local tax	\$ 970,991	\$ ---	\$ 970,991
Other	20,217	1,395,821	1,416,038
State sources	56	---	56
Total Revenues	\$ 991,264	\$ 1,395,821	\$ 2,387,085
Expenditures			
Current:			
Instruction:			
Regular	\$ 495,038	\$ ---	\$ 495,038
Special	110,956	---	110,956
Other	59,542	1,293,507	1,353,049
Total Instruction	\$ 665,536	\$ 1,293,507	\$ 1,959,043
Support Services:			
Student	\$ 2,292	\$ ---	\$ 2,292
Instructional staff	14,289	---	14,289
Administration	45,394	1,507	46,901
Operation and maintenance of plant	233,630	7,418	241,048
Transportation	127,052	49,699	176,751
Total Support Services	\$ 422,657	\$ 58,624	\$ 481,281
Non-instructional Programs	\$ 35,823	\$ ---	\$ 35,823
Total Expenditures	\$ 1,124,016	\$ 1,352,131	\$ 2,476,147
Change in Fund Balances	\$ (132,752)	\$ 43,690	\$ (89,062)
Fund Balances Beginning of Year	1,742,075	702,535	2,444,610
Fund Balances End of Year	\$ 1,609,323	\$ 746,225	\$ 2,355,548

See accompanying independent auditor's report.

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**COMBINING BALANCE SHEET
CAPITAL PROJECT ACCOUNTS
JUNE 30, 2014**

	Statewide Sales, Services and Use Tax	Construction	Physical Plant and Equipment Levy	Total
	-----	-----	-----	-----
Assets				
Cash, cash equivalents, and pooled investments	\$ 4,064,681	\$ 3,021,381	\$ 1,218,442	\$ 8,304,504
Receivables:				
Property tax:				
Delinquent	---	---	10,230	10,230
Succeeding year	---	---	1,243,753	1,243,753
Due from other funds	---	6,539	---	6,539
Due from other governments	443,115	---	---	443,115
	-----	-----	-----	-----
Total Assets	\$ 4,507,796	\$ 3,027,920	\$ 2,472,425	\$ 10,008,141
	=====	=====	=====	=====
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	\$ ---	\$ 1,891,358	\$ 13,935	\$ 1,905,293
Due to other funds	---	2,576	---	2,576
	-----	-----	-----	-----
Total Liabilities	\$ ---	\$ 1,893,934	\$ 13,935	\$ 1,907,869
	-----	-----	-----	-----
Deferred Inflows of Resources:				
Unavailable Revenues:				
Succeeding year property tax	\$ ---	\$ ---	\$ 1,243,753	\$ 1,243,753
	-----	-----	-----	-----
Fund Balances:				
Restricted for:				
School infrastructure	\$ 4,507,796	\$ 1,133,986	\$ ---	\$ 5,641,782
Physical plant and equipment	---	---	1,214,737	1,214,737
	-----	-----	-----	-----
Total Fund Balances	\$ 4,507,796	\$ 1,133,986	\$ 1,214,737	\$ 6,856,519
	-----	-----	-----	-----
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 4,507,796	\$ 3,027,920	\$ 2,472,425	\$ 10,008,141
	=====	=====	=====	=====

See accompanying independent auditor's report.

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
CAPITAL PROJECT ACCOUNTS
YEAR ENDED JUNE 30, 2014**

	Statewide Sales, Services and Use Tax	Construction	Physical Plant and Equipment Levy	Total
	-----	-----	-----	-----
Revenues				
Local Sources:				
Local tax	\$ ---	\$ ---	\$ 1,194,390	\$ 1,194,390
Other	6,661	21,058	69,701	97,420
State sources	2,544,288	---	63	2,544,351
Federal sources	---	---	16,375	16,375
	-----	-----	-----	-----
Total Revenues	\$ 2,550,949	\$ 21,058	\$ 1,280,529	\$ 3,852,536
	-----	-----	-----	-----
Expenditures				
Current:				
Support Services:				
Administration	\$ ---	\$ 28,852	\$ 332,766	\$ 361,618
Operation and maintenance of plant	---	---	35,973	35,973
	-----	-----	-----	-----
Total Support Services	\$ ---	\$ 28,852	\$ 368,739	\$ 397,591
	-----	-----	-----	-----
Other Expenditures:				
Facilities acquisition	\$ 10,555	\$ 14,142,698	\$ 761,195	\$ 14,914,448
	-----	-----	-----	-----
Total Expenditures	\$ 10,555	\$ 14,171,550	\$ 1,129,934	\$ 15,312,039
	-----	-----	-----	-----
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ 2,540,394	\$ (14,150,492)	\$ 150,595	\$ (11,459,503)
	-----	-----	-----	-----
Other Financing Sources (Uses)				
Compensation for loss of fixed assets	\$ ---	\$ ---	\$ 58,691	\$ 58,691
Operating transfers out	(2,105,722)	---	---	(2,105,722)
	-----	-----	-----	-----
Total Other Financing Sources (Uses)	\$ (2,105,722)	\$ ---	\$ 58,691	\$ (2,047,031)
	-----	-----	-----	-----
Change in Fund Balances	\$ 434,672	\$ (14,150,492)	\$ 209,286	\$ (13,506,534)
	-----	-----	-----	-----
Fund Balances Beginning of Year	4,073,124	15,284,478	1,005,451	20,363,053
	-----	-----	-----	-----
Fund Balances End of Year	\$ 4,507,796	\$ 1,133,986	\$ 1,214,737	\$ 6,856,519
	=====	=====	=====	=====

See accompanying independent auditor's report.

SCHEDULE "5"

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND
STUDENT ACTIVITY ACCOUNTS
YEAR ENDED JUNE 30, 2014**

	Balance Beginning Of Year	Revenues	Expenditures	Intrafund Transfers	Balance End of Year
District Wide Accounts	-----	-----	-----	-----	-----
Employee Awards	\$ 154	\$ ---	\$ ---	\$ ---	\$ 154
Western Trip	8,715	---	---	---	8,715
District Wide Interest	94,865	426	---	---	95,291
	-----	-----	-----	-----	-----
Total District Wide	\$ 103,734	\$ 426	\$ ---	\$ ---	\$ 104,160
	-----	-----	-----	-----	-----
Epworth High School:					
Computer Technology	\$ 135	\$ ---	\$ ---	\$ ---	\$ 135
Dramatics Fund	6,594	6,164	4,981	411	8,188
Speech Club	546	---	534	50	62
Vocal Music	10,663	108,869	122,436	6,610	3,706
Instrumental Music	3,702	5,642	4,084	1,064	6,324
Show Choir	3,161	81,789	85,450	767	267
Model U.N.	455	---	---	---	455
Student Council	34,422	17,323	19,764	631	32,612
Future Farmers	11,415	48,940	46,751	2,349	15,953
Yearbook	14,506	25,124	26,764	---	12,866
Library Club	1,608	---	---	---	1,608
Close Up	94	---	---	---	94
Post Prom	3,266	2,499	2,538	---	3,227
National Honor Society	437	2,874	1,757	---	1,554
Class of 2017	---	2,634	1,873	---	761
Class of 2016	1,613	142	510	---	1,245
Class of 2015	426	5,156	2,324	(165)	3,093
Class of 2014	3,312	62	697	(2,677)	---
Future Business Leaders	6,653	13,028	7,178	(530)	11,973
Athletic Fund	146,931	489,028	442,136	(11,491)	182,332
Pop and Uniforms	5,627	2,270	2,302	---	5,595
Fundraiser	8,940	3,552	2,253	(500)	9,739
Band	10,465	1,420	9,699	5,291	7,477
Miscellaneous	24,401	16,321	23,268	(1,676)	15,778
	-----	-----	-----	-----	-----
Total Epworth High School	\$ 299,372	\$ 832,837	\$ 807,299	\$ 134	\$ 325,044
	-----	-----	-----	-----	-----

See accompanying independent auditor's report.

SCHEDULE "5" (Continued)

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND
STUDENT ACTIVITY ACCOUNTS
YEAR ENDED JUNE 30, 2014**

	Balance Beginning Of Year	Revenues	Expenditures	Intrafund Transfers	Balance End of Year
	-----	-----	-----	-----	-----
Cascade High School:					
Poms	\$ 39	\$ ---	\$ ---	\$ ---	\$ 39
Dramatics/Speech	5,546	19,441	16,773	(1,071)	7,143
Vocal Music	2,160	6,748	8,876	2,621	2,653
Instrumental Music	---	31,722	34,038	4,092	1,776
Band	---	---	---	48	48
Student Council	2,305	5,379	7,300	2,783	3,167
Future Farmers	87,552	84,738	82,512	9,502	99,280
Cheerleaders	250	3,726	3,799	---	177
National Honor Society	163	599	1,004	300	58
Junior High	757	7,753	5,426	(3,084)	---
Class of 2015	---	2,303	483	(792)	1,028
Class of 2014	1,158	1,551	1,648	(1,061)	---
Athletic Fund	32,078	198,404	212,156	(7,723)	10,603
Future Business Leaders	974	12,541	9,904	---	3,611
Pop and Uniforms	1,315	2,675	2,207	(1,345)	438
Yearbook	7,176	6,756	8,493	(300)	5,139
Miscellaneous	1,642	9,571	7,272	(3,040)	901
	-----	-----	-----	-----	-----
Total Cascade High School	\$ 143,115	\$ 393,907	\$ 401,891	\$ 930	\$ 136,061
	-----	-----	-----	-----	-----
Bernard Elementary:					
Student Expenses	\$ 5,249	\$ 3,925	\$ 4,105	\$ ---	\$ 5,069
	-----	-----	-----	-----	-----
Cascade Elementary:					
Student Expenses	\$ 18,371	\$ 13,639	\$ 15,290	\$ ---	\$ 16,720
School Photos	2,521	1,234	---	---	3,755
	-----	-----	-----	-----	-----
Total Cascade Elementary	\$ 20,892	\$ 14,873	\$ 15,290	\$ ---	\$ 20,475
	-----	-----	-----	-----	-----
Dyersville Elementary:					
Student Expenses	\$ 4,850	\$ 11,714	\$ 5,724	\$ (2)	\$ 10,838
Book Fair	---	1,420	1,422	2	---
School Photos	2,425	696	250	---	2,871
	-----	-----	-----	-----	-----
Total Dyersville Elementary	\$ 7,275	\$ 13,830	\$ 7,396	\$ ---	\$ 13,709
	-----	-----	-----	-----	-----

See accompanying independent auditor's report.

SCHEDULE "5" (Continued)

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND
STUDENT ACTIVITY ACCOUNTS
YEAR ENDED JUNE 30, 2014**

	Balance Beginning of Year	Revenues	Expenditures	Intrafund Transfers	Balance End of Year
	-----	-----	-----	-----	-----
Farley:					
Spring Fundraiser	\$ 15,211	\$ 1,112	\$ 775	\$ ---	\$ 15,548
Student Council	304	548	181	---	671
Yearbook	4,211	6,533	7,265	---	3,479
Vocal Music	1,758	42,271	34,198	(953)	8,878
Athletic Fund	3,887	10,193	9,193	32	4,919
Booster Club/PTO	377	---	---	---	377
Outdoor Education	11,962	1,776	10,084	7,479	11,133
Pop and Uniforms	3,754	1,884	926	---	4,712
Fitness Program	2,707	---	1,874	1,556	2,389
Book Fair	2,851	3,760	3,773	---	2,838
School Photos	24,626	2,297	---	---	26,923
Magazine/Newspaper Fundraiser	1,834	2,669	---	---	4,503
Grade 8 Class Trip	836	10,913	11,703	4,434	4,480
Various Groups	31,021	42,806	26,517	(13,612)	33,698
	-----	-----	-----	-----	-----
Total Farley	\$ 105,339	\$ 126,762	\$ 106,489	\$ (1,064)	\$ 124,548
	-----	-----	-----	-----	-----
Epworth Elementary:					
Student Expenses	\$ 9,729	\$ 4,912	\$ 4,225	\$ ---	\$ 10,416
	-----	-----	-----	-----	-----
Peosta Elementary:					
Yearbook	\$ 1,730	\$ 1,771	\$ 2,455	\$ ---	\$ 1,046
Booster Club	210	---	---	---	210
Miscellaneous	5,890	2,578	2,981	---	5,487
	-----	-----	-----	-----	-----
Total Peosta Elementary	\$ 7,830	\$ 4,349	\$ 5,436	\$ ---	\$ 6,743
	-----	-----	-----	-----	-----
Total	\$ 702,535	\$1,395,821	\$1,352,131	\$ ---	\$ 746,225
	=====	=====	=====	=====	=====

See accompanying independent auditor's report.

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
ALL GOVERNMENTAL FUNDS
FOR THE LAST TEN YEARS**

	Modified Accrual Basis				
	2014	2013	2012	2011	2010
Revenues					
Local Sources:					
Local tax	\$ 16,008,002	\$ 18,329,503	\$ 17,420,490	\$ 16,500,013	\$ 15,686,866
Tuition	1,252,114	1,217,123	1,288,794	952,017	850,519
Other	2,276,723	1,857,232	2,297,134	2,059,165	1,604,956
Intermediate Sources	---	3,228	650	1,817	7,872
State Sources	19,704,936	16,015,644	15,449,656	14,456,510	12,369,676
Federal Sources	1,091,204	1,118,573	1,873,725	2,252,535	2,619,203
Total	\$ 40,332,979	\$ 38,541,303	\$ 38,330,449	\$ 36,222,057	\$ 33,139,092
Expenditures					
Instruction:					
Regular	\$ 12,501,174	\$ 12,529,543	\$ 12,023,320	\$ 11,122,744	\$ 11,249,602
Special	4,410,022	4,497,179	4,036,455	3,705,460	3,770,825
Other	6,238,645	5,601,800	5,182,942	5,521,268	4,997,044
Support Services:					
Student	810,551	785,174	1,060,337	1,024,825	989,832
Instructional staff	825,080	1,041,590	978,196	842,202	307,997
Administration	3,890,927	3,372,170	3,182,006	2,879,063	2,938,145
Operation and maintenance of plant	2,518,518	2,337,729	2,114,049	1,978,215	1,732,424
Transportation	2,133,449	2,538,257	2,428,324	2,567,962	2,313,033
Non-instructional programs	38,228	38,978	39,644	38,909	36,634
Other Expenditures:					
Facilities acquisition	14,914,448	1,382,275	2,354,477	13,725,635	8,185,273
Long-term debt:					
Principal	740,000	1,405,000	1,380,000	1,280,000	2,210,000
Interest and other charges	593,532	576,541	147,400	200,414	718,875
AEA flowthrough	1,399,889	1,318,329	1,265,458	1,342,368	1,296,569
Total	\$ 51,014,463	\$ 37,424,565	\$ 36,192,608	\$ 46,229,065	\$ 40,746,253

See accompanying independent auditor's report.

SCHEDULE "6"

Modified Accrual Basis				
2009	2008	2007	2006	2005
\$ 15,038,895	\$ 14,137,465	\$ 13,880,533	\$ 13,144,109	\$ 12,445,327
804,929	825,845	830,306	717,011	651,757
1,790,591	1,928,215	1,911,309	1,592,219	1,349,802
9,988	12,488	1,306	6,459	---
13,409,951	12,893,404	11,984,915	11,440,396	10,326,712
1,176,914	801,897	850,311	1,416,939	1,464,404
<u>\$ 32,231,268</u>	<u>\$ 30,599,314</u>	<u>\$ 29,458,680</u>	<u>\$ 28,317,133</u>	<u>\$ 26,238,002</u>
\$ 10,570,155	\$ 10,197,183	\$ 10,311,911	\$ 9,154,370	\$ 8,469,963
3,686,818	3,403,315	2,782,573	3,289,290	3,099,950
3,793,523	3,400,738	3,020,372	2,105,981	2,667,318
979,946	904,763	841,912	819,965	692,460
362,822	372,002	393,706	866,136	553,355
2,768,180	2,768,828	2,590,845	2,528,027	2,138,672
1,842,198	1,779,698	1,707,388	1,568,012	1,471,773
2,204,821	2,476,922	2,227,582	2,121,983	2,002,883
44,677	39,453	37,462	19,643	26,152
629,749	719,111	965,701	649,303	6,953,304
1,390,000	1,900,000	1,840,000	1,760,000	1,705,000
454,809	527,844	593,974	650,629	704,141
1,168,250	1,096,770	1,042,947	974,359	903,083
<u>\$ 29,895,948</u>	<u>\$ 29,586,627</u>	<u>\$ 28,356,373</u>	<u>\$ 26,507,698</u>	<u>\$ 31,388,054</u>

SCHEDULE "7"

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2014**

Grantor/Program -----	CFDA Number -----	Grant Number -----	Expenditures -----
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	FY14	\$ 82,810
National School Lunch Program	10.555	FY14	509,890
National School Lunch Program - USDA Commodities (noncash)	10.555	FY14	175,950
			----- \$ 768,650 -----
U.S. Department of Education:			
Iowa Department of Education:			
Title I Grants to Local Educational Agencies	84.010	FY14	\$ 377,392
Career and Technical Education - Basic Grants to States	84.048	FY14	30,276
Improving Teacher Quality State Grants	84.367	FY14	132,924
State Assessment	84.369	FY14	16,879
Special Education – Grants to States	84.027	FY14	2,000*
Keystone Area Education Agency:			
Special Education - Grants to States	84.027	FY14	192,010*
			----- \$ 751,481 -----
U.S. Department of Health and Human Services:			
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
Medical Assistance Program	93.778	FY14	\$ 325,622
Federal Emergency Management Agency:			
Iowa Department of Homeland Security and Emergency Management:			
Hazard Mitigation Grant	97.039	FY14	\$ 16,375
Total			----- \$ 1,862,128 =====

*Total for Special Education cluster is \$194,010.

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Western Dubuque County Community School District and is presented on the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.

O'CONNOR, BROOKS & CO., P.C.

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Education of the
Western Dubuque County Community School District

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Western Dubuque County Community School District as of and for the year ended June 30, 2014, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 20, 2015. In addition, we have disclaimed an opinion on the required supplementary information.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Western Dubuque County Community's School District's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2014 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Western Dubuque County Community School District's Responses to Findings

Western Dubuque County Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Western Dubuque County Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

O'CONNOR, BROOKS & CO., P.C.

O'Connor, Brooks & Co., P.C.

Dubuque, Iowa
January 20, 2015

O'CONNOR, BROOKS & CO., P.C.

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

To the Board of Education of the
Western Dubuque County Community School District

Report on Compliance for Each Major Federal Program

We have audited Western Dubuque County Community School District's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014. Western Dubuque County Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Western Dubuque County Community School District's compliance.

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Opinion on Each Major Federal Program

In our opinion, Western Dubuque County Community School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

The management of Western Dubuque County Community School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. A significant deficiency in internal control over compliance is a deficiency or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control over compliance that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

O'CONNOR, BROOKS & CO., P.C.

O'Connor, Brooks & Co., P.C.

Dubuque, Iowa
January 20, 2015

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2014**

Part I: Summary of Independent Auditor's Results

- a) Unmodified opinions were issued on the financial statements.
- b) No material weaknesses in internal control over financial reporting were noted.
- c) The audit did not disclose any non-compliance which is material to the financial statements.
- d) No material weaknesses in internal control over the major programs were noted.
- e) An unmodified opinion was issued on compliance with requirements applicable to each major program.
- f) The audit disclosed no audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- g) Major programs were as follows:
 - CFDA Number 84.010 – Title I Grants to Local Education Agencies
 - Child Nutrition Cluster:
 - CFDA Number 10.553 - School Breakfast Program
 - CFDA Number 10.555 - National School Lunch Program
 - CFDA Number 93.778 - Medical Assistance Program
- h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- i) Western Dubuque County Community School District did not qualify as a low-risk auditee.

Part II: Findings Related to the Financial Statements:

Instances of Noncompliance:

No matters were noted.

Material Weakness:

No matters were noted.

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2014**

Part III: Findings and Questioned Costs for Federal Awards:

Instances of Noncompliance:

No matters were noted.

Material Weakness:

No matters were noted.

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-14 Certified Budget – Expenditures for the year ended June 30, 2014, did not exceed the amount budgeted.

IV-B-14 Questionable Disbursements – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

IV-C-14 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

IV-D-14 Business Transactions – No business transactions between the District and District officials or employees were noted.

IV-E-14 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

IV-F-14 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.

IV-G-14 Certified Enrollment – One variance in the basic enrollment data certified to the Iowa Department of Education was noted. A ward of the State was included as enrolled in error.

Recommendation – The District should develop procedures to ensure accurate enrollment data is certified to the Iowa Department of Education.

Response – The District will continue to make every effort to ensure accuracy of the enrollment data certified with the Iowa Department of Education.

Conclusion – Response accepted.

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2014**

Part IV: Other Findings Related to Required Statutory Reporting: (Continued)

- IV-H-14 Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- IV-I-14 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.
- IV-J-14 Certified Annual Report – The Certified Annual Report was certified timely to Iowa Department of Education.
- IV-K-14 Categorical Funding – No instances were noted of categorical funding being used to supplant rather than supplement other funds.
- IV-L-14 Statewide Sales, Services and Use Tax – No instances of non-compliance with allowable uses of the statewide sales, services and use tax revenue provided in Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2014, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$ 4,073,124
Revenues:		
Sales tax revenues	\$ 2,544,288	
Other local revenues	6,661	2,550,949
	-----	\$ 6,624,073
Expenditures/transfers out:		
School infrastructure construction	\$ 10,555	
Transfers to debt service fund	2,105,722	2,116,277
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Ending balance		\$ 4,507,796

For the year ended June 30, 2014, the District reduced the following levy as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa:

	Per \$1,000 of Taxable Valuation	Property Tax Dollars
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Debt service levy	\$ 0.41959	\$ 600,000